

CITY OF TAMA, IOWA

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2010

CITY OF TAMA, IOWA
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CITY OF TAMA, IOWA
OFFICIALS
June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Bearden	Mayor	January, 2012
Robert Tyynismaa	Council Member	January, 2014
Steve Baier	Council Member	January, 2012
Dan Zimmerman	Council Member	January, 2014
Jeff Brezina	Council Member	January, 2012
Joshua Youngbear	Council Member	January, 2012
Judy Welch	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Tama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2011 on our consideration of the City of Tama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 4g and 19 through 20 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. The financial statements for the seven years ended June 30, 2009 (none of which are presented herein), were audited by other auditors whose reports expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Garnett, Ben, Kohn & Co. P.C.

Atlantic, Iowa
January 11, 2011

CITY OF TAMA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements and notes that follow. It should be noted that the information contained here would provide information on both the governmental operations and the business type activities of the City.

2010 FINANCIAL HIGHLIGHTS

- FY 2010 overall revenues increased by 16.5% or \$428,564 from the previous year. \$318,858 of the \$428,564 is debt proceeds for the water improvement project.
- Overall total disbursements increased by 15.8% or \$415,995 from FY 2009. All of the increased expenses is for the water improvement project.
- The City's total cash basis net assets decreased .58% or \$22,056 from June 30, 2009 to June 30, 2010. Of this amount the assets of governmental activities decreased \$48,964 or 1.45% and the assets of business type activities increased \$26,908 or 6.41%.
- Fiscal Year 2010 began the construction of an aeralater for the water plant. This is a \$1,005,878 project funded with State Revolving Funds and American Recovery and Reinvestment Act of 2009 grant. Total expenses spent for the project in FY 2010 are approximately \$421,900.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statement tells how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets informs the reader of how the City is performing financially as a result of the year's activities. Over time increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, State and Federal grants, investment interest and charges for services finance most of these activities.
- Business Type Activities include the Water and Sewer. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The Water Fund includes the Water Improvement Project and Water Revenue Bond. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
Revenues:				
Property Tax	\$ 796,693	\$ 801,098	\$ 712,597	\$ 702,341
Tax Increment Financing	280	14,346	146,711	45,112
Other City Tax	27,699	27,243	27,215	27,593
Local Option Tax	164,157	163,526	160,794	160,899
Use of Money and Property	98,575	115,714	133,115	133,508
Licenses and Permits	21,432	23,201	22,074	19,356
Intergovernmental	436,193	365,229	320,417	304,191
Charges for service	305,211	275,908	216,762	220,532
Miscellaneous	<u>126,244</u>	<u>138,064</u>	<u>130,476</u>	<u>105,671</u>
Total Revenue	1,976,484	1,924,329	1,870,161	1,719,203
Disbursements:				
Public Safety	662,443	619,137	652,322	591,352
Public Works	462,054	493,610	393,019	380,275
Health and Social Services	5,918	5,902	5,148	5,308
Culture and Recreation	231,711	222,852	212,392	198,534
Community and Economic Development	13,952	19,618	22,295	26,434
General Government	145,019	142,122	137,601	130,406
Debt Service	256,496	251,516	256,386	244,857
Capital Projects	<u>258,189</u>	<u>219,250</u>	<u>257,080</u>	<u>940,624</u>
Total Disbursements	2,035,782	1,974,007	1,936,243	2,517,790
Other Financing Sources:				
Proceeds from Debt	--	--	--	1,480,500
Sale of Assets	930	1,500	15,506	23,500
Operating Transfers In	<u>9,404</u>	<u>--</u>	<u>--</u>	<u>--</u>
Increase (decrease) in cash basis net assets	(48,964)	(48,178)	(50,576)	705,413
Cash basis net assets beginning of year	<u>3,383,890</u>	<u>3,432,068</u>	<u>3,482,644</u>	<u>2,777,231</u>
Cash basis net assets end of year	<u>\$ 3,334,926</u>	<u>\$ 3,383,890</u>	<u>\$ 3,432,068</u>	<u>\$ 3,482,644</u>

The City's total revenue for governmental activities increased by 2.71% or \$52,155 from FY 2009 to FY 2010. Increases in revenue included fire protection payment from the local casino was paid timely and therefore was included in the FY 2010 revenue. Landfill collection fees were increased due to the increased cost to the city for the use of the county landfill; an increase of \$8,065. The city collects revenue to pay the county landfill levy by charging \$2.51 a month on all water/sewer bills.

Ambulance service revenue increased as we collected revenue of \$257,968 for FY 2009 and \$286,865 for FY 2010.

Local Option Sales Tax (LOST) revenue of \$164,157 supported the Aquatic Center operation, bonds and interest. There was an increase of \$631 of LOST funds from FY 2009 to FY 2010.

The city did not apply for Tax Increment Financing in FY 2010. A small amount of revenue was received from delinquent property taxes in the beginning of the fiscal year. Downtown projects have increased slightly in the amount of \$13,000 of grants, legal expenses, and beautification. A loan was also provided to a business for interior and exterior improvements.

The city received I-Job funds, a two year revenue source from the Department of Transportation in the amount of \$11,928.

The City was receiving state funds for the engineering of the Safe Routes to School project in Tama and Toledo in the amount of \$33,991. The project will be coming to a close in FY 2011 unless the cities of Tama and Toledo apply for grant funding for the construction of Safe Routes to School.

There was a decrease in revenue from FEMA as we received funds in FY 2009 for \$21,600 vs. \$3,000 for FY 2010. FEMA funds were due to the flooding of 2008.

Revenue from investment interest increased \$10,526 for FY 2010 in the amount of \$107,931.

The total disbursements for all programs and services for governmental activities increased by 3.13% or \$61,775 from the FY 2009 disbursements.

Public Safety showed a \$43,306 increase in disbursements for FY 2010. A police car was purchased, radios for the fire department and additional trip pay for volunteer ambulance personnel.

Public Works expenses decreased by \$31,556 in FY 2010. In FY 2009 the city repaired street cul-de-sacs in the amount of \$32,549 which was a one time expense.

Culture and recreation, community and economic development and general government showed no significant changes in expenses for FY 2010.

Capital Projects:

The G.O. bond funds were expended for a new generator for the water plant in the amount of \$80,474.00 and a new control panel for the water plant in the amount of \$8,174. The remainder of the funds, for water projects, will be expended in FY 2011. Some street repair work was done at 9th and Park Street that expended \$12,153 from the G.O. Bonds. The remainder of the G.O. bond funds, for street projects, will be used on the McClellan Street project in FY 2011.

The city provided a donation fund of \$10,000 for the renovation of the Wieting Theatre this past year. Basketball lights were installed at the Tama/Toledo basketball court for \$1,984; the South Tama County Rec Trail expense of \$10,573 supplied trail mix for the trail along with \$4,396 of landscaping. The landscaping expense was reimbursed to the city from a grant. The city tore down a dilapidated house in the amount \$7,843. Safe Routes to School project expenses for engineering and coordinating school awareness of routes amounted to \$29,595. In FY 2009 the city spent \$17,678. The Safe Routes to School project is reimbursable with grant funding as noted above.

Tax askings for FY 2010 were \$15.84 increasing taxes by \$.07 from FY 2009. Other fiscal years the taxes were as follows: FY 2009 - \$15.77; FY 2008 - \$15.77; FY 2007 - \$15.54; FY 2006 \$15.53. Taxable Valuation increased by \$1,549,707.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Water Fund includes the Water Improvement Project Fund and the Water Revenue Bond. These two water funds are new to FY 2010. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
Revenue:				
Charges for Services:				
Water	\$ 247,105	\$ 283,639	\$ 266,896	\$ 224,436
Water Rev Bond	25,761	--	--	--
Sewer	216,417	183,917	171,174	221,364
Sewer Rev Bond	137,452	136,152	135,480	133,644
Other General Revenue	50,016	50,016	50,016	55,141
Operating Grants, Contributions, Interest	9,356	11,863	12,986	13,097
Water Proceeds from Debt	318,858	--	--	--
Miscellaneous	<u>37,031</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Revenue	1,041,996	665,587	636,552	647,682
Disbursements:				
Water	241,922	233,489	233,262	264,150
Water Project	309,454	--	--	--
Water Rev Bond	2,369	--	--	--
Sewer	314,236	281,825	255,851	245,346
Sewer Rev Bond	137,703	136,150	135,474	133,646
Transfers Out	<u>9,404</u>	<u>--</u>	<u>--</u>	<u>--</u>
Disbursements	<u>1,015,088</u>	<u>651,464</u>	<u>624,587</u>	<u>643,142</u>
Increase in Cash Balance	26,908	14,123	11,965	4,540
Cash Basis Net Assets Beginning of Year	<u>419,950</u>	<u>405,827</u>	<u>393,862</u>	<u>389,322</u>
Cash Basis Net Assets End of Year	<u>\$ 446,858</u>	<u>\$ 419,950</u>	<u>\$ 405,827</u>	<u>\$ 393,862</u>

The business type activities revenue for FY 2010 was \$1,041,996 compared to \$665,587 in FY 2009. This increase in revenue of \$376,409 is due to an increase of water and sewer rates in February 2010 and proceeds from debt to finance the water improvement project.

The sewer revenue over the years was not covering the daily operations of the plant. The city started using their reserve to keep the balances in the black. The council increased the sewer rate by 8% per 1,000 gallons or \$.35/1,000 with a 2% automatic increase yearly. In FY 2009 the city increased the flat rate fee for sewer charges to compensate for daily operations, but found that the revenue was not enough to cover expenses.

The water rates increased 15% in FY 2009 and in FY 2010 they increased another 4%. The increased rate in water was to increase another 10% in FY 2010; however the 15% increase in FY 2009 was providing sufficient revenue that a smaller increase was acceptable for FY 2010. An automatic 2% yearly increase in water rates will continue as in the past years.

Water revenue bonds have been established, however, no final loan amount will be known until the project is completed in FY 2011. The loan is from the State Revolving Fund (SRF). The City has received a \$355,000 Grant from the American Recovery Reinvestment Act (ARRA) for the Water Improvement Project. Funds for the grant have been received as draw down funds as the project has progressed from the Iowa Finance Authority. Total amount received for FY 2010 - \$318,858; \$297,134 of the funds received were from the ARRA Grant and the remaining balance was from the SRF Loan.

Disbursements in FY 2010 totaled \$1,015,088 where disbursements of FY 2009 were \$651,464 an increase of \$363,624. The construction of the water aerolater and installing, cure in place, sewer lines in the amount of \$37,350 proved to be the increase in expenses.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tama completed the year; its governmental funds reported a combined fund balance of \$3,334,926 a decrease of \$48,964 from FY 2009 balance of \$3,383,890. The following are the main reasons for the changes in fund balances of the major funds.

Ending cash balances for the General Fund increased \$136,184. This is a substantial increase due to additional ambulance revenue, and casino fire protection revenue received before the end of the fiscal year.

Road Use Tax funds did not see a significant cash balance change.

The Capital Project cash funds include cash balances from Capital Projects, Capital Projects – Community Development, Meat Pack Funds, Downtown Revitalization, Street Improvements '06, Water Projects Improvements, and the Aquatic Center Fund (FY 2010 \$2,415,223; and FY 2009 \$2,607,020 a decrease of \$191,797). This decrease in cash balances are from bond revenue received in FY 2007 being used for a water generator, the city granted loans and grants for downtown projects in the amount of \$38,908; Safe Routes to School Project had increased in expenses; the donation to the Rec Trail for trail mix and the donation to the Wieting Theatre.

Cash balances for the Trust and Agency Fund indicated an increase of \$17,877. Revenues continued to be increasing approximately \$45,000 for the fiscal year with expenses at \$19,000. Thus providing the additional cash balance with no significant purchases or revenue.

Self-Funding revenue, held in the Trust and Agency Fund was transferred to the Employee Benefit Fund in the amount of \$8,421. The city had acquired these funds some years back when the city entertained a self-funded health account. The city discontinued the self-funding plan only after a few years of use and the remaining balance remained in the Trust and Agency Fund. The city again has developed a partial self-funding health account and therefore transferred the funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balances increased in FY 2010 (FY 2010 - \$227,304 and FY 2009 - \$211,510 an increase of \$15,794). The increase is significant as \$52,261 was also charges for water service, however, was placed into the Water Revenue Bond Fund to establish revenue to pay for the upcoming Water Bond issue in years to come. The increase in water rates provided this extra funding. The City began the construction on the Water Improvement Project, a \$1,000,000 project funded by a grant and a state revolving fund loan. The project will be completed in FY 2011. The Water Fund supports the contracting of water services with Veolia Water where the city contract increased less than 1% or \$1,320 for FY 2010.

The Sewer Fund (including sewer rehabilitation, sewer replacement and sewer revenue bond funds) cash balances demonstrated a decrease in cash balances in the amount of \$38,778. This overall decrease is due to the installation of a cure in place sewer main liner which is not done each year. The city maintains the sewer mains and additional updating, however, revenue was not supporting the daily operations and therefore decreases in cash balances are evident. The city has increased the sewer rate and will continue to do so on a yearly basis of 2%. To have funds available to improve sewer mains the City deposits \$25,000 each year into the Sewer Rehabilitation Fund. The City also deposits \$25,000 each year to the Sewer Replacement Fund to support major projects in the replacement of sewer equipment. Revenue is generated from the sewer charges. The City contracts the sewer services with Veolia Water and their contract service agreement for the year decreased by 2% or \$4,107.

BUDGETARY HIGHLIGHTS

On November 2, 2009 the City amended the budget to increase expenditures for capital projects, the water improvement project, safe routes to school expenses and rec trail projects. Total budgeted expenses increased \$691,252. Revenues were increased due to the same projects as listed for expense. Total budgeted revenue and other financing sources increased \$393,028.

DEBT ADMINISTRATION

As of June 30, 2010, the City of Tama had \$4,089,000 in outstanding debt compared to \$3,161,000 at the end of June of 2009. New Water Revenue Bonds were issued during the fiscal year in the amount of \$1,191,000, of which \$318,858 had been drawn as of June 30, 2010. However these new issue amounts may change once the Water Improvement Project is completed. These new issues will be a twenty year State Revolving Fund Loan. Monies generated from local option taxes will pay for the Aquatic Bond issues. The Sewer Revenue Bond issue will continue until June of 2014. Aquatic Bond issues will mature June of 2024. The G.O. Improvement bond issue will mature June of 2021.

Outstanding Debt at Year-End

Outstanding Debt as of:	<u>2010</u>	<u>2009</u>	<u>2008</u>
Sewer Rev. Bond \$1,784,000 Issued December, 1992	\$ 528,000	\$ 646,000	\$ 759,000
2004 A-Aquatic Bond \$1,165,000 Issued August 1, 2004	940,000	990,000	1,035,000
2004 B-Aquatic Bond \$300,000 Issued August 1, 2004	250,000	260,000	270,000
General Oblig. Bond \$1,500,000 Issued August 1, 2006	1,180,000	1,265,000	1,345,000
Water Rev. Bond \$836,000 Issued December 9, 2009	836,000	--	--
Water Rev. Bond \$355,000 Issued January 13, 2010	<u>355,000</u>	<u>--</u>	<u>--</u>
Total Outstanding Debt	<u>\$ 4,089,000</u>	<u>\$ 3,161,000</u>	<u>\$ 3,409,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,370,000 is below the constitutional debt limit of \$4,608,040 for FY 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In FY 2010 the Council approved \$11,000 in grant funds to one business for interior and exterior improvements. The city also loaned a commercial business \$25,000 to provide a laundromat in the downtown area. Both of these businesses are in our tax increment financing district which will help improve our overall business district.

The City of Tama offers a three year tax abatement to property owners that improve their properties. Only three property owners took advantage of this abatement in FY 2010. With several homes being constructed in FY 2010 we look for more property owners to apply for the tax abatement. (These homes receive tax abatement for three years for the first \$75,000 of improved property valuation)

The City has volunteers who have been instrumental in providing a recreation walking/biking trail between Tama and our neighboring City - Toledo. The trail volunteers, this fiscal year, developed a trail around the city owned lake, Cherry Lake, and are continuing final efforts in Toledo. The City pledged \$20,000 of trail mix for the development. This fiscal year the city expended \$10,573 for trail mix which the construction has led to a 5.5 mile trail over the past seven years with a half a mile to complete.

In FY 2011 the property tax levy will be at \$15.90. This is a \$.06 increase from FY 2010. The tax increase indicates increases in employee benefit and debt service askings. Taxable valuation increased \$641,955.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information contact the Tama City Clerk Judy Welch, 305 Siegel Street, Tama, Iowa 52339.

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2010

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 662,443	\$ 411,407	\$ 50,155
Public works	462,054	34,009	253,332
Health and social services	5,918	--	--
Culture and recreation	231,711	32,156	40,873
Community and economic development	13,952	796	--
General government	145,019	20,611	--
Debt service	256,496	--	--
Capital projects	<u>258,189</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>2,035,782</u>	<u>498,979</u>	<u>344,360</u>
Business type activities:			
Water	553,745	272,866	--
Sewer	<u>451,939</u>	<u>403,885</u>	<u>--</u>
Total business type activities	<u>1,005,684</u>	<u>676,751</u>	<u>--</u>
Total	<u>\$ 3,041,466</u>	<u>\$ 1,175,730</u>	<u>\$ 344,360</u>
General Receipts:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ (200,881)	\$ --	\$ (200,881)
--	(174,713)	--	(174,713)
--	(5,918)	--	(5,918)
--	(158,682)	--	(158,682)
--	(13,156)	--	(13,156)
--	(124,408)	--	(124,408)
--	(256,496)	--	(256,496)
--	(258,189)	--	(258,189)
--	(1,192,443)	--	(1,192,443)
--	--	(280,879)	(280,879)
--	--	(48,054)	(48,054)
--	--	(328,933)	(328,933)
<u>\$ --</u>	<u>(1,192,443)</u>	<u>(328,933)</u>	<u>(1,521,376)</u>
	695,434	--	695,434
	128,958	--	128,958
	280	--	280
	164,157	--	164,157
	98,575	9,356	107,931
	--	318,858	318,858
	45,741	37,031	82,772
	930	--	930
	9,404	(9,404)	--
	<u>1,143,479</u>	<u>355,841</u>	<u>1,499,320</u>
	(48,964)	26,908	(22,056)
	<u>3,383,890</u>	<u>419,950</u>	<u>3,803,840</u>
<u>\$</u>	<u>3,334,926</u>	<u>\$ 446,858</u>	<u>\$ 3,781,784</u>

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - Continued

As of and for the year ended June 30, 2010

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Assets		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Streets		
Capital projects		
Other purposes		
Unrestricted		
Total cash basis net assets		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
	\$ 55,977	\$ --	\$ 55,977
	24,794	84,217	109,011
	146,706	--	146,706
	2,415,223	--	2,415,223
	136,855	--	136,855
	<u>555,371</u>	<u>362,641</u>	<u>918,012</u>
	<u>\$ 3,334,926</u>	<u>\$ 446,858</u>	<u>\$ 3,781,784</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2010

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use Tax</u>	<u>Employee Benefit</u>
Receipts:			
Property tax	\$ 460,394	\$ --	\$ 211,677
Tax increment financing	--	--	--
Other city tax	15,989	--	7,374
Local options sales tax	--	--	--
Licenses and permits	21,432	--	--
Use of money and property	78,125	--	1,752
Intergovernmental	145,846	253,332	--
Charges for service	305,211	--	--
Miscellaneous	41,553	--	--
Total receipts	<u>1,068,550</u>	<u>253,332</u>	<u>220,803</u>
Disbursements:			
Operating:			
Public safety	656,636	--	--
Public works	200,108	261,946	--
Health and social services	5,918	--	--
Culture and recreation	216,949	--	--
Community and economic development	13,952	--	--
General government	144,919	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>1,238,482</u>	<u>261,946</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(169,932)	(8,614)	220,803
Other financing sources (uses):			
Sale of real property	--	--	--
Operating transfers in	315,979	--	8,421
Operating transfers out	(9,863)	--	(220,783)
Total other financing sources (uses)	<u>306,116</u>	<u>--</u>	<u>(212,362)</u>
Net change in cash balances	136,184	(8,614)	8,441
Cash balances beginning of year	<u>419,187</u>	<u>155,320</u>	<u>6,639</u>
Cash balances end of year	<u>\$ 555,371</u>	<u>\$ 146,706</u>	<u>\$ 15,080</u>

(continued next page)

	Capital Projects	Nonmajor Governmental Funds	
<u>Debt Service</u>	<u>Meat Pack</u>		<u>Total</u>
\$ 124,622	\$ --	\$ --	\$ 796,693
--	--	280	280
4,336	--	--	27,699
--	--	164,157	164,157
--	--	--	21,432
4,667	--	14,031	98,575
--	--	37,015	436,193
--	--	--	305,211
--	--	84,691	126,244
<u>133,625</u>	<u>--</u>	<u>300,174</u>	<u>1,976,484</u>
--	--	5,807	662,443
--	--	--	462,054
--	--	--	5,918
--	--	14,762	231,711
--	--	--	13,952
--	--	100	145,019
256,496	--	--	256,496
--	--	258,189	258,189
<u>256,496</u>	<u>--</u>	<u>278,858</u>	<u>2,035,782</u>
(122,871)	--	21,316	(59,298)
--	--	930	930
115,472	--	24,213	464,085
--	--	(224,035)	(454,681)
<u>115,472</u>	<u>--</u>	<u>(198,892)</u>	<u>10,334</u>
(7,399)	--	(177,576)	(48,964)
<u>32,193</u>	<u>1,773,308</u>	<u>997,243</u>	<u>3,383,890</u>
<u>\$ 24,794</u>	<u>\$ 1,773,308</u>	<u>\$ 819,667</u>	<u>\$ 3,334,926</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2010

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Employee</u> <u>Benefit</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ --	\$ --	\$ --
Unreserved:			
General fund	555,371	--	--
Special revenue funds	--	146,706	15,080
Capital projects funds	--	--	--
Permanent funds	--	--	--
Total cash basis fund balances	<u>\$ 555,371</u>	<u>\$ 146,706</u>	<u>\$ 15,080</u>

The accompanying notes are an integral part of these statements.

Exhibit B

<u>Debt Service</u>	<u>Capital Projects Meat Pack</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 24,794	\$ --	\$ --	\$ 24,794
--	--	--	555,371
--	--	121,775	283,561
--	1,773,308	641,915	2,415,223
<u>--</u>	<u>--</u>	<u>55,977</u>	<u>55,977</u>
<u>\$ 24,794</u>	<u>\$ 1,773,308</u>	<u>\$ 819,667</u>	<u>\$ 3,334,926</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2010

	Enterprise	
	Water Fund	Water Filter Plant
Operating Receipts:		
Charges for service	\$ 247,105	\$ --
Total operating receipts	<u>247,105</u>	<u>--</u>
Operating Disbursements:		
Business type activities	<u>209,554</u>	<u>--</u>
Total operating disbursements	<u>209,554</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	37,551	--
Non-operating receipts (disbursements):		
Interest on investments	4,649	--
Miscellaneous	32,462	--
Debt proceeds	--	318,858
Debt service	--	(8,360)
Capital projects	<u>(32,368)</u>	<u>(301,094)</u>
Total non-operating receipts (disbursements)	<u>4,743</u>	<u>9,404</u>
Excess (deficiency) of receipts over (under) disbursements	42,294	9,404
Other financing sources (uses):		
Operating transfers in	--	--
Operating transfers out	<u>(26,500)</u>	<u>(9,404)</u>
Total other financing sources (uses)	<u>(26,500)</u>	<u>(9,404)</u>
Net change in cash balances	15,794	--
Cash balances beginning of year	<u>211,510</u>	<u>--</u>
Cash balances end of year	<u>\$ 227,304</u>	<u>\$ --</u>
Cash Basis Fund Balances		
Reserved for Debt Service	\$ --	\$ --
Unreserved:		
Enterprise funds	<u>227,304</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 227,304</u>	<u>\$ --</u>

The accompanying notes are an integral part of these statements.

Sewer Fund	Enterprise	
	Nonmajor	Total
\$ 216,417	\$ 213,229	\$ 676,751
216,417	213,229	676,751
231,174	--	440,728
231,174	--	440,728
(14,757)	213,229	236,023
4,707	--	9,356
4,569	--	37,031
--	--	318,858
--	(140,072)	(148,432)
(5,837)	(77,225)	(416,524)
3,439	(217,297)	(199,711)
(11,318)	(4,068)	36,312
15,000	26,500	41,500
--	(15,000)	(50,904)
15,000	11,500	(9,404)
3,682	7,432	26,908
1,277	207,163	419,950
\$ 4,959	\$ 214,595	\$ 446,858
\$ --	\$ 84,217	\$ 84,217
4,959	130,378	362,641
\$ 4,959	\$ 214,595	\$ 446,858

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tama, Iowa is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tama has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported and budgeted as part of the City as a permanent fund.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a permanent fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds or enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefit Fund is used to account for employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Meat Pack Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of certain capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Filter Plant Fund is utilized to account for all resources used in the water treatment rehabilitation improvement project.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
United States Savings Bonds Series HH	\$ 37,000	\$ 37,000

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30, _____	General Obligation Bonds and Notes		State Revolving Fund Loans		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 150,000	\$ 104,751	\$ 146,724	\$ 29,332	\$ 296,724	\$ 134,083
2012	155,000	98,854	143,000	21,028	298,000	119,882
2013	165,000	92,599	149,000	16,714	314,000	109,313
2014	170,000	85,801	155,000	12,244	325,000	98,045
2015	175,000	78,671	15,000	7,594	190,000	86,265
2016 - 2020	1,000,000	272,326	84,000	30,864	1,084,000	303,190
2021 - 2025	555,000	57,836	98,000	17,458	653,000	75,294
2026 - 2028	--	--	56,134	3,133	56,134	3,133
	<u>\$ 2,370,000</u>	<u>\$ 790,838</u>	<u>\$ 846,858</u>	<u>\$ 138,367</u>	<u>\$ 3,216,858</u>	<u>\$ 929,205</u>

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,784,000 in sewer revenue bonds issued in October, 2003. Proceeds from the bonds provided financing for the repair and improvement of the sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 100 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$568,410. For the current year, principal and interest paid and total customer net receipts were \$137,380 and \$122,695, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,191,000 in water revenue bonds issued in December, 2009 and January, 2010. As of June 30, 2010, \$21,724 of the \$836,000 Water Revenue Bonds issued in December, 2009 had been drawn, and \$297,134 of the \$355,000 Water Revenue Bonds issued in January, 2010 had been drawn. As of the date of this report, all of the debt funds have been drawn. Proceeds from the bonds provided financing for the repair and improvement of the water system. The bonds are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 80 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$1,601,717. For the current year, principal and interest paid and total customer net receipts were \$279 and \$65,686, respectively. Existing net assets are used to meet debt service payments in years when the net receipts are not sufficient.

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly deposits and transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - PENSION AND RETIREMENT BENEFITS - Continued

Most regular plan members are required to contribute 4.30% (4.50% effective July 1, 2010) of their annual covered salary and the City is required to contribute 6.65% (6.95% effective July 1, 2010) of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were approximately \$43,000, \$39,800, and \$36,800, respectively, equal to the required contribution for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate vacation and sick leave hours based on the length of their employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily related to the General Fund, totaled \$19,556. This liability has been computed based on rates of pay in effect at June 30, 2010.

NOTE 6 - COMMITMENTS

The City has entered into an agreement for engineering services for the water treatment rehabilitation at an estimated cost of \$156,900, of which \$23,100 is remaining to be paid at June 30, 2010.

The City has entered into a management service contract with Veolia Water for management of the water and sewer plants at a cost of \$359,720 per year, subject to review annually. The City or Veolia Water may terminate the agreement with thirty days written notice.

The City has entered into an agreement for water treatment rehabilitation improvements with an estimated cost of \$1,005,900, of which \$726,900 is remaining to be paid at June 30, 2010.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 220,783
	Capital projects:	
	Capital projects	41,196
	Capital projects - new pool	54,000
		<u>315,979</u>
Special Revenue:	Special Revenue:	
Employee benefit	Trust & agency	8,421
Debt Service	Capital Projects:	
	Capital projects - new pool	115,472
Capital Projects:	General Fund	
Capital projects		9,863
Capital Projects:	Special Revenue:	
Capital projects - downtown	Tax increment financing	4,946
Capital Projects:	Enterprise:	
Capital projects - water	Water filter plant	9,404
Enterprise:	Enterprise:	
Water revenue bond	Water	26,500
Enterprise:	Enterprise:	
Sewer	Sewer revenue bond	<u>15,000</u>
		<u>\$ 505,585</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reduction in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were approximately \$6,300.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 8 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund for the capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from the other insurers for the coverage associated with workers' compensation, and property coverage and automobile liability in the amount of \$5,000,000 and \$1,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description: As required by state law, the City offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all City employees, and the retiree must pay a health insurance premium equal to that charged for current employees.

Potential for Liability: A review of the City's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists.

NOTE 10 - CONTINGENCY

Subsequent Event

The City has evaluated all subsequent events through January 11, 2011, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2010

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:			
Property tax	\$ 796,693	\$ --	\$ --
Tax increment financing	280	--	--
Other city tax	191,856	--	--
Licenses and permits	21,432	--	--
Use of money and property	98,575	9,356	--
Intergovernmental	436,193	--	--
Charges for service	305,211	676,751	--
Miscellaneous	<u>126,244</u>	<u>37,031</u>	<u>--</u>
Total receipts	<u>1,976,484</u>	<u>723,138</u>	<u>--</u>
Disbursements:			
Public safety	662,443	--	--
Public works	462,054	--	--
Health and social services	5,918	--	--
Culture and recreation	231,711	--	--
Community and economic development	13,952	--	--
General government	145,019	--	--
Debt service	256,496	--	--
Capital projects	258,189	--	--
Business type activities	<u>--</u>	<u>1,005,684</u>	<u>--</u>
Total disbursements	<u>2,035,782</u>	<u>1,005,684</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(59,298)	(282,546)	--
Other financing sources (uses), net	<u>10,334</u>	<u>309,454</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(48,964)	26,908	--
Balances beginning of year	<u>3,383,890</u>	<u>419,950</u>	<u>--</u>
Balances end of year	<u>\$ 3,334,926</u>	<u>\$ 446,858</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 796,693	\$ 807,366	\$ 807,366	\$(10,673)
280	--	--	280
191,856	192,168	192,168	(312)
21,432	15,575	15,575	5,857
107,931	107,850	107,850	81
436,193	379,286	421,714	14,479
981,962	997,780	1,061,380	(79,418)
163,275	16,350	22,350	140,925
<u>2,699,622</u>	<u>2,516,375</u>	<u>2,628,403</u>	<u>71,219</u>
662,443	713,390	713,390	50,947
462,054	494,003	505,931	43,877
5,918	6,650	6,650	732
231,711	232,132	232,132	421
13,952	15,000	15,000	1,048
145,019	149,841	149,841	4,822
256,496	256,498	256,498	2
258,189	42,500	488,223	230,034
<u>1,005,684</u>	<u>1,664,249</u>	<u>1,897,850</u>	<u>892,166</u>
<u>3,041,466</u>	<u>3,574,263</u>	<u>4,265,515</u>	<u>1,224,049</u>
(341,844)	(1,057,888)	(1,637,112)	1,295,268
<u>319,788</u>	<u>910,000</u>	<u>1,191,000</u>	<u>(871,212)</u>
(22,056)	(147,888)	(446,112)	424,056
<u>3,803,840</u>	<u>3,235,632</u>	<u>3,803,840</u>	<u>--</u>
<u>\$ 3,781,784</u>	<u>\$ 3,087,744</u>	<u>\$ 3,357,728</u>	<u>\$ 424,056</u>

CITY OF TAMA, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, the Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$691,252. The budget amendments are reflected in the final budgeted amount.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2010

	Special Revenue		Capital Projects	
	T.I.F.	Trust & Agency	Capital Projects	Community Development
Receipts:				
Tax increment financing collections	\$ 280	\$ --	\$ --	\$ --
Local option sales tax	--	--	--	--
Use of money and property	--	2,136	6,085	--
Intergovernmental	--	3,024	33,991	--
Miscellaneous	--	40,440	7,277	14,488
Total receipts	<u>280</u>	<u>45,600</u>	<u>47,353</u>	<u>14,488</u>
Disbursements:				
Operating:				
Public safety	--	5,807	--	--
Culture and recreation	--	13,395	--	--
General government	--	100	--	--
Capital projects	--	--	81,612	3,147
Total disbursements	<u>--</u>	<u>19,302</u>	<u>81,612</u>	<u>3,147</u>
Excess (deficiency) of receipts over (under) disbursements	280	26,298	(34,259)	11,341
Other financing sources (uses):				
Sale of real property	--	--	--	930
Operating transfers in	--	--	9,863	--
Operating transfers out	(4,946)	(8,421)	(41,196)	--
Total other financing sources (uses)	<u>(4,946)</u>	<u>(8,421)</u>	<u>(31,333)</u>	<u>930</u>
Net change in cash balances	(4,666)	17,877	(65,592)	12,271
Cash balances, beginning of year	<u>4,666</u>	<u>103,898</u>	<u>85,536</u>	<u>62,870</u>
Cash balances, end of year	<u>\$ --</u>	<u>\$ 121,775</u>	<u>\$ 19,944</u>	<u>\$ 75,141</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ --	\$ 121,775	\$ --	\$ --
Capital projects fund	--	--	19,944	75,141
Permanent funds	--	--	--	--
Total cash basis fund balances	<u>\$ --</u>	<u>\$ 121,775</u>	<u>\$ 19,944</u>	<u>\$ 75,141</u>

See accompanying independent auditor's report.

Capital Projects				Permanent Cemetery Perpetual Care	Total
Downtown	New Pool	2006 Street Improvement	Water		
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 280
--	164,157	--	--	--	164,157
1,549	3,883	--	--	378	14,031
--	--	--	--	--	37,015
20,487	--	--	--	1,999	84,691
<u>22,036</u>	<u>168,040</u>	<u>--</u>	<u>--</u>	<u>2,377</u>	<u>300,174</u>
--	--	--	--	--	5,807
--	--	--	--	1,367	14,762
--	--	--	--	--	100
<u>38,908</u>	<u>--</u>	<u>13,724</u>	<u>120,798</u>	<u>--</u>	<u>258,189</u>
<u>38,908</u>	<u>--</u>	<u>13,724</u>	<u>120,798</u>	<u>1,367</u>	<u>278,858</u>
(16,872)	168,040	(13,724)	(120,798)	1,010	21,316
--	--	--	--	--	930
4,946	--	--	9,404	--	24,213
<u>--</u>	<u>(169,472)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(224,035)</u>
<u>4,946</u>	<u>(169,472)</u>	<u>--</u>	<u>9,404</u>	<u>--</u>	<u>(198,892)</u>
(11,926)	(1,432)	(13,724)	(111,394)	1,010	(177,576)
<u>218,057</u>	<u>136,551</u>	<u>203,055</u>	<u>127,643</u>	<u>54,967</u>	<u>997,243</u>
<u>\$ 206,131</u>	<u>\$ 135,119</u>	<u>\$ 189,331</u>	<u>\$ 16,249</u>	<u>\$ 55,977</u>	<u>\$ 819,667</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 121,775
206,131	135,119	189,331	16,249	--	641,915
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>55,977</u>	<u>55,977</u>
<u>\$ 206,131</u>	<u>\$ 135,119</u>	<u>\$ 189,331</u>	<u>\$ 16,249</u>	<u>\$ 55,977</u>	<u>\$ 819,667</u>

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NON-MAJOR ENTERPRISE FUNDS

As of and for the year ended June 30, 2010

	<u>Water Revenue Bond</u>	<u>Sewer Rehabilitation</u>
Operating Receipts:		
Charges for services	\$ 25,761	\$ 25,008
Total operating receipts	25,761	25,008
Operating Disbursements:		
Business type activities	--	--
Total operating disbursements	--	--
Excess (deficiency) of operating receipts over (under) operating disbursements	25,761	25,008
Non-operating receipts (disbursements):		
Debt service	(2,369)	--
Capital projects	--	(66,341)
Total non-operating receipts (disbursements)	(2,369)	(66,341)
Excess (deficiency) of receipts over (under) disbursements	23,392	(41,333)
Other financing sources (uses):		
Operating transfers in	26,500	--
Operating transfers out	--	--
Total other financing sources (uses)	26,500	--
Net change in cash balances	49,892	(41,333)
Cash balance beginning of year	--	66,573
Cash balance end of year	<u>\$ 49,892</u>	<u>\$ 25,240</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ 49,892	\$ --
Unreserved:		
Enterprise funds	--	25,240
Total cash basis fund balances	<u>\$ 49,892</u>	<u>\$ 25,240</u>

See accompanying independent auditor's report.

Schedule 2

<u>Sewer Replacement</u>	<u>Sewer Revenue Bond</u>	<u>Total</u>
\$ 25,008	\$ 137,452	\$ 213,229
25,008	137,452	213,229
--	--	--
--	--	--
25,008	137,452	213,229
--	(137,703)	(140,072)
(10,884)	--	(77,225)
(10,884)	(137,703)	(217,297)
14,124	(251)	(4,068)
--	--	26,500
--	(15,000)	(15,000)
--	(15,000)	11,500
14,124	(15,251)	7,432
91,014	49,576	207,163
\$ 105,138	\$ 34,325	\$ 214,595
\$ --	\$ 34,325	\$ 84,217
105,138	--	130,378
\$ 105,138	\$ 34,325	\$ 214,595

CITY OF TAMA, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Corporate Purpose Bonds Series 2006	August 1, 2006	4.10% - 4.63%	\$ 1,500,000
Aquatics Center Notes Series 2004A	August 1, 2004	3.40% - 4.75%	1,165,000
Aquatics Center Notes Series 2004B	August 1, 2004	3.60% - 5.00%	300,000
Total			
Revenue Bonds:			
State revolving fund loans:			
Sewer	October 1, 1993	3.00%	1,784,000
Water	December 9, 2009	3.00%	836,000
Water	January 13, 2010	3.00%	355,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,265,000	\$ --	\$ 85,000	\$ 1,180,000	\$ 55,624	\$ 3,976
990,000	--	50,000	940,000	42,867	2,781
<u>260,000</u>	<u>--</u>	<u>10,000</u>	<u>250,000</u>	<u>11,805</u>	<u>781</u>
<u>\$ 2,515,000</u>	<u>\$ --</u>	<u>\$ 145,000</u>	<u>\$ 2,370,000</u>	<u>\$ 110,296</u>	<u>\$ 7,538</u>
\$ 646,000	\$ --	\$ 118,000	\$ 528,000	\$ 19,380	\$ 1,302
--	21,724	--	21,724	279	54
<u>--</u>	<u>297,134</u>	<u>--</u>	<u>297,134</u>	<u>--</u>	<u>--</u>
<u>\$ 646,000</u>	<u>\$ 318,858</u>	<u>\$ 118,000</u>	<u>\$ 846,858</u>	<u>\$ 19,659</u>	<u>\$ 1,356</u>

CITY OF TAMA, IOWA
BOND AND NOTE MATURITIES
June 30, 2010

General Obligation Bonds and Notes							
	Aquatic Center Series 2004A		Aquatic Center Series 2004B		Corporate Purpose Bond Series 2006		
	Issued August 1, 2004		Issued August 1, 2004		Issued August 1, 2006		
Year ending June 30,	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
2011	3.60%	\$ 50,000	3.80%	\$ 15,000	4.15%	\$ 85,000	\$ 150,000
2012	3.75	50,000	4.00	15,000	4.20	90,000	155,000
2013	3.90	55,000	4.10	15,000	4.25	95,000	165,000
2014	4.00	55,000	4.20	15,000	4.30	100,000	170,000
2015	4.10	60,000	4.30	15,000	4.35	100,000	175,000
2016	4.20	60,000	4.40	15,000	4.40	105,000	180,000
2017	4.30	65,000	4.50	15,000	4.45	110,000	190,000
2018	4.40	65,000	4.60	20,000	4.50	115,000	200,000
2019	4.50	70,000	4.70	20,000	4.55	120,000	210,000
2020	4.60	75,000	4.80	20,000	4.60	125,000	220,000
2021	4.75	80,000	4.90	20,000	4.63	135,000	235,000
2022	4.75	80,000	5.00	20,000			100,000
2023	4.75	85,000	5.00	20,000			105,000
2024	4.75	90,000	5.00	25,000			115,000
2025							
2026							
2027							
2028							
		<u>\$ 940,000</u>		<u>\$ 250,000</u>		<u>\$1,180,000</u>	<u>\$2,370,000</u>

See accompanying independent auditor's report.

State Revolving Fund Loans						
Sewer Revenue Bonds		Water Revenue Bonds		Water Revenue Bonds		Total
Issued October 1, 1993		Issued January 13, 2010		Issued December 9, 2009		
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
3.00%	\$ 124,000	3.00%	\$ 1,000	3.0%	\$ 21,724	\$ 146,724
3.00	129,000	3.00	14,000			143,000
3.00	135,000	3.00	14,000			149,000
3.00	140,000	3.00	15,000			155,000
		3.00	15,000			15,000
		3.00	16,000			16,000
		3.00	16,000			16,000
		3.00	17,000			17,000
		3.00	17,000			17,000
		3.00	18,000			18,000
		3.00	18,000			18,000
		3.00	19,000			19,000
		3.00	20,000			20,000
		3.00	20,000			20,000
		3.00	21,000			21,000
		3.00	21,000			21,000
		3.00	22,000			22,000
		3.00	13,134			13,134
	<u>\$ 528,000</u>		<u>\$ 297,134</u>		<u>\$ 21,724</u>	<u>\$ 846,858</u>

CITY OF TAMA, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Eight Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts:				
Property tax	\$ 796,693	\$ 801,098	\$ 712,597	\$ 702,341
Tax increment financing	280	14,346	146,711	45,112
Other city tax	191,856	190,769	188,009	188,492
Licenses and permits	21,432	23,201	22,074	19,356
Use of money and property	98,575	115,714	133,115	133,508
Intergovernmental	436,193	365,229	320,417	304,191
Charges for service	305,211	275,908	216,762	220,532
Miscellaneous	<u>126,244</u>	<u>138,064</u>	<u>130,476</u>	<u>105,671</u>
Total	<u>\$ 1,976,484</u>	<u>\$ 1,924,329</u>	<u>\$ 1,870,161</u>	<u>\$ 1,719,203</u>
Disbursements:				
Operating:				
Public safety	\$ 662,443	\$ 619,137	\$ 652,322	\$ 591,352
Public works	462,054	493,610	393,019	380,275
Health and social services	5,918	5,902	5,148	5,308
Culture and recreation	231,711	222,852	212,392	198,534
Community and economic development	13,952	19,618	22,295	26,434
General government	145,019	142,122	137,601	130,406
Debt service	256,496	251,516	256,386	244,857
Capital projects	<u>258,189</u>	<u>219,250</u>	<u>257,080</u>	<u>940,624</u>
Total	<u>\$ 2,035,782</u>	<u>\$ 1,974,007</u>	<u>\$ 1,936,243</u>	<u>\$ 2,517,790</u>

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 700,983	\$ 641,617	\$ 669,969	\$ 705,032
584	30,210	14,471	5,809
163,440	157,064	133,376	33,298
18,908	19,794	19,788	22,477
101,270	118,227	106,243	72,016
328,713	364,766	271,417	804,352
205,672	223,582	184,486	183,942
<u>111,858</u>	<u>246,191</u>	<u>229,661</u>	<u>74,559</u>
<u>\$ 1,631,428</u>	<u>\$ 1,801,451</u>	<u>\$ 1,629,411</u>	<u>\$ 1,901,485</u>
\$ 621,918	\$ 593,193	\$ 501,974	\$ 449,528
407,346	386,834	530,715	386,698
3,439	4,089	4,814	3,011
195,941	169,609	176,179	140,647
24,990	22,277	22,028	--
130,434	127,852	124,930	118,362
249,958	186,362	178,885	176,842
<u>469,942</u>	<u>1,460,820</u>	<u>798,672</u>	<u>563,366</u>
<u>\$ 2,103,968</u>	<u>\$ 2,951,036</u>	<u>\$ 2,338,197</u>	<u>\$ 1,838,454</u>

CITY OF TAMA, IOWA
 SCHEDULE OF SEWER SERVICE CHARGES
 Year ended June 30, 2010

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$10.00	\$10.00
Volume charge:	\$4.62/1,000 gallons	\$4.62/1,000 gallons
Surcharge for concentration levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

* Biochemical oxygen demand

See accompanying independent auditor's report.

CITY OF TAMA, IOWA
SCHEDULE OF INSURANCE IN FORCE
Year ended June 30, 2010

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Nationwide Mutual Insurance Company	ACP WC 7130261971	Workers' Compensation Employer's Liability
Nationwide Mutual Insurance Company	ACP 7130261971	Commercial property Auto Commercial Inland Marine and scheduled property
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability Fidelity bond

See accompanying independent auditor's report.

<u>Policy Period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/10 to 4/1/11	Worker's Compensation All Employees	Statutory \$500,000/Accident \$500,000/Employee \$500,000/Policy Limit
4/1/10 to 4/1/11	Property Damage	90% of value
4/1/10 to 4/1/11	Auto Liability	\$1,000,000 Liability
4/1/10 to 4/1/11	Non Real Estate Property	Replacement Value
4/1/10 to 4/1/11	General Liability	\$2,000,000
	Officials Liability	\$2,000,000
	Law Enforcement Liability	\$2,000,000
1/1/10 to 1/1/11	Employee Performance	\$50,000

CITY OF TAMA, IOWA
SCHEDULE OF LEGAL DEBT MARGIN
June 30, 2010

Valuation of City as of January 1, 2008	\$ 92,582,584
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	4,629,129
General obligation indebtedness outstanding as of June 30, 2010	<u>2,370,000</u>
Legal Debt Margin	<u><u>\$ 2,259,129</u></u>

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Tama, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tama's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Tama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Honorable Mayor and
Members of the City Council

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 10-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Tama's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tama and other parties to whom the City of Tama may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Garnett, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
January 11, 2011

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2010

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- 10-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

OTHER

- 10-I-B Time Card Approval: The City does not require a supervisor signature to document approval on the street crew time cards.

Recommendation: Street crew time cards should be signed to document approval by a supervisor.

Response: The City will take it under advisement.

Conclusion: The City should consider the importance of having time cards properly approved for payment.

- 10-I-C Cancellation of Invoices: The City does not cancel invoices after payment. This could result in double payment of invoices.

Recommendation: The City should properly document the cancellation of invoices when paid.

Response: The City will take it under advisement.

Conclusion: The City should consider the implications of not canceling invoices.

* * *

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2010

PART II: Other Findings Related to Statutory Reporting

- 10-II-A Certified Budget: Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- 10-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- 10-II-D Business Transactions: In accordance with Chapter 362.5(10) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.
- 10-II-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 10-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 10-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.
- 10-II-H Revenue Bonds: The City has complied with the revenue bond resolutions.
- 10-II-I Inactive Capital Project Fund: The City has a material balance in an inactive capital project fund.

Recommendation: The City should reclassify funds and transfer to the General Fund.

Response: The City will take it under advisement.

Conclusion: The City should consider the implications of restrictions on funds in inactive funds.

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2010

PART II: Other Findings Related to Statutory Reporting - Continued

- 10-II-J Police D.A.R.E. Account: The City does not include cash restricted for the D.A.R.E. program. Chapter 384.20 of the Code of Iowa states in part that a city shall keep accounts which show an accurate and detailed statement of all public funds.

Recommendation: The City should include all cash funds in the fund balance to properly account for all funds.

Response: We will consider including the balance of the cash drawer.

Conclusion: Response accepted.

- 10-II-K LOST Revenue: The City records the receipts of Local Option Sales Tax in the Capital Projects: New Pool Fund. These funds are used on a restricted basis and are special in nature.

Recommendation: The City should record the receipt of Local Option Sales Tax in a Special Revenue: LOST Fund and make transfers to the appropriate fund when released for expenditures.

Response: The City will consider creating a fund to properly account for monies.

Conclusion: Response accepted.

- 10-II-L No Credit Card Policy: The City does not have a credit card policy adopted for the credit card held by Judy Welch, City Clerk.

Recommendation: The City should write and adopt a policy for the use of the City's credit card.

Response: The City will consider implementing a policy.

Conclusion: Response accepted.

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2010

PART II: Other Findings Related to Statutory Reporting - Continued

10-II-M Compliance with Loan and Grant Agreements: During the year ended June 30, 2010, the City had a loan balance through the state revolving fund. The loan agreement contained certain provisions with which the City must comply. It appears the City has complied with all provisions, except the City has not prepared its financial statements using the accrual method of accounting, including a balance sheet, as of June 30, 2010.

Recommendation: The City should obtain a waiver from this provision.

Response: The City will try to obtain a waiver from this provision.

Conclusion: Response accepted.

* * *